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The Onne Oil and Gas Free Zone: Reflection on its Implications for Economic Development in Nigeria

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Abstract:

This study set out to examine the Political Economy of Onne Oil and Gas Free Zone: Implication on Nigeria Development. It adopted the Marxian Political Economy as theoretical framework. The data for the study were generated from primary and secondary sources. For the primary data, questionnaire and personal interview methods were adopted. The simple percentage was adopted in analyzing the data which the Chi-square statistical tool was employed in the interpretation of data. The findings amongst others reveal that oil and gas free zone can promote Nigeria's development, 107 out of 141 or 75.9% of the respondents holds this view. The study therefore amongst others recommended that indigenous technology should be developed to enable Nigeria effectively control the free zone. Curriculum reforms, improvement in educational infrastructure, and the re-training of teachers can promote this goal. Conscious efforts should be made to develop a class of disciplined entrepreneurs. This will further strengthen indigenous control of the free zone.

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INTRODUCTION

The Onne Oil and Gas Free Zone is designed to enable interested persons and corporate bodies to establish businesses and industries with the principal objective of exporting goods and services manufactured or produced within the zone. Significantly, the literature on development has consistently argued that foreign capital, which the zone is anchored on, cannot promote Nigeria's development the way it is perceived. Foreign capital is seen as an instrument that consummates

dependence. There are three sources- through which it comes into an economy- through borrowing (Foreign loans) multinational corporations (Foreign directive/private investment and foreign portfolio investment). Scholars argue that through the repatriation of profits, foreign investors transfer funds out of the economies of the less develop countries. This promotes de-capitalization and underdevelopment.

The case of the Multi-National Corporations (Mncs) is more destructive as they suffocate the local economies through a number of practices such as over invoicing and under invoicing tax evasion etc. In addition they interfere with local politics and subvert economic policies. For this reason, they are seen as agents of underdevelopment.

Indeed, the widespread view of Nigerian social scientists supports this view. In spite of this however, the development priorities of the country continue to anchor the future development of the country on foreign capital and investment; as evident by former President Olusegun Obasanjo's economic policies. The Onne oil and gas free zone is one of such policies. The success of such policies depends on the autonomy of the state, and a leadership that is honest and patriotic, factors that are not present yet.

Despite this, a school of thought, popularize by the classical economist and widely held by ruling class, posit that the free zone is a vehicle for development. This research therefore seeks to establish or eject from empirical evidence whether Onne oil and gas free zone can serve as vehicle for development in Nigeria. The outcome of this research shall determine the suggestion on possible way out of the menaces. Development stands out as an objective that is common to all countries of the world, developed or underdeveloped. This follows the fact that development gives meaning to human existence. Accordingly, countries of the world engineer development through a variety of strategies, which are expressed in policies and programmes.

In Nigeria, the leadership has been in search of development since the attainment of independence in October 1960. To this end, numerous strategies, policies and programmes have been adopted to enthrone development; these include the indigenization policy, the Structural Adjustment Programme, Trade Liberalization, Privatization, NEPAD, NEEDS among others.

A project of the Nigerian state, which interests the researchers, is the Oil and Gas Export Free zone, created by Decree No.8 of 1996. Essentially, the programme is a response to calls for trade liberalization, which seeks to guarantee free flow of investments into Nigeria, thus providing the country the maximum benefits of the international economic system.

However, the project is limited to the Oil and Gas sub-sector of the economy. Indeed, the Free Port Zone was established based on the knowledge that major oil and gas production companies were interested in making Nigeria a regional centre for their operations in the west and Central Africa sub-region.

The major objective of the Zone is the provision of incentives to investors wishing to participate in both planned and existing projects. The incentives that are prescribed by the Zone include the following:

1. Tax holiday relief, legislative provisions pertaining to taxes;
2. Levies, duties and foreign exchange would not apply within the zone-repatriation of foreign capital investments is allowed at any time the capital investment appreciates.

3. Unrestricted remittance of profits and dividends earned by foreign investors.
4. No import or export license required rent-free land during construction of premises.
5. Up to 100 percent foreign ownership of enterprises, sale of up to 25% production permitted in domestic market.
6. Up to a minimum of 25 percent of production may be sold in the customs territory against a valid permit, and on payment of appropriate duties.
7. Companies operating in the zone may employ foreign managers and qualified personnel.

The above incentives show that the Export Free Zone is designed to encourage the inflows of foreign capital into the country. The thing here is that the country cannot develop without foreign capital or investments. According to Onyeiwu (1991):

...the impression is created that our economic predicament can be attributed to the fact that capital inflow from abroad has been sufficient... the belief among Nigeria's ruling elite is that once foreign capital flows massively into the, economy, Nigeria's problems of mass poverty, unemployment, etc. will automatically be solved.

The above view dominates the thinking of many who are in government, as well as numerous scholars. In contrast to the above view, a school of thought posits that foreign capital do not promote development. It contends that foreign capital consummates dependence and therefore worsens under-development. It highlights the fact that the Export Free Zone is an exercise in trade liberalization, which only benefits equal partners. Given that Nigeria is not equal with her foreign trade counterparts, it insists that the Free Zone policy will not benefit the country. The Onne oil and gas free zone is seen to be one of the gateways of Nigeria's development. For this reason, studies on the programme are very significant. Firstly, the information generated could shed more light on the benefits and problems of the free zone. The importance of the study becomes clear if we recognize the fact that the Obasanjo Government sees foreign investment as a major vehicle for the development of the country. Also, the data generated can help to guide future development planning in the country. Finally, it will also serve as a database for future researchers.

The Concept of Oil And Gas Free Zone

Accordingly, it is very pertinent to determine the place of the Onne Oil and Gas Free Zone in the development of Nigeria. And to justify its establishment and activities and to assess how the Onne Oil and Gas Free Zone can serve as a vehicle for sustainable development in the area where the organization is located and the country at large.

The Onne Oil and Gas Free Zone dates back to 1990 when efforts towards economic development in Nigeria led to the establishment of the Export Processing Free Zone Scheme in November, 1991. The legislation governing the zone is contained in Decree No.8 of 1995. In the terms of the decree the Onne Oil and Gas Free Zone is allowed to operate as a free zone for the importation and storage of goods without payment of duty and the manufacture of goods for oil and gas industry.

The zone provides valuable incentives to investors —easy registration to enter the Nigeria oil and gas market, minimum bureaucracy, and the possibility to sell products and services throughout the West African region. The zone located at the centre of Nigeria's oil activities offers excellent business opportunities to investors wishing to participate in the both planned and existing opportunities.

Furthermore, the zone provides a cost-effective entry for companies involved in drilling, construction, pipe coating, ship repair, and similar activities. Incentives offered by the zone range from free corporate tax to free import and export duties for goods imported into or exported out of the zone. It also includes 100 percent foreign ownership, free pre-shipment inspection for imported goods, and free expatriate quota. First class port facilities and an efficient oil service centre back all this up. In all, the philosophy of the zone is enclosed on attracting foreign investors to the country to boost the economy.

The Concept of Development

The meaning of the term development appears nebulous. Thus, according to E.O. Obinozie:

The concept “development” has no definite meaning. It has been interpreted to mean different things to different people depending on their intellectual, identical beliefs, and the issue in question.

Given the above, there has always been a need to conceptualize development for two reasons. Firstly, the nature of a development policy programme or strategy in any nation will depend on what the country understand by development. Secondly, the manner in which one assesses a development policy also depends on what one understands development to be. Two questions readily come to mind when conceptualizing development; development of what and for whom?

The answers to the above questions help to give a clearer meaning to development. Following this we shall review the literature on development to examine the various phases and interpretations of its conceptualizations. In the early days of its emergence in the 1960s, development was defined in terms of economic growth. Economic growth is explained to mean the annual income in the Gross National Product (GNP) or the early rise in the per capita output of goods and services.

By this definition, growth is equated with development, thus a country is said to be developing if its total output of goods and services grow, usually at rates between five and seven percent. A corollary of this conception of development is the idea that development is synonymous with industrialization. Thus the share of industrial output in a country's total output is increasing over time, then that country is said to be developing.

This view of development was based on some assumptions which include the following:

1. The economic growth will generate employment;
2. That it will result to a fair distribution of products;
3. That it would raise the standard of living by increasing access to heated services, education, etc.

However, this was not achieved even when some country's surpassed the prescribed 5-9 percent growth rates. Reacting to this, Gerald Mier expressed the following view on development:

1. That development is not synonymous with growth in the GNP, accordingly, development should not be equated with growth in the GNP;
2. That development is and the same with industrialization;
3. That development is not synonymous with economic independence (inward-looking policies).

The inability of growth equals to development is an approach to create development bed to disillusionment. Given this, a new approach, the growth with redistribution approach emerged. According to this approval, development is seen as the fusion or combination of economic growth and

structural changes in the society. In other words, development is said to be taking place in a country if there is increase in the output of goods and services (economic growth), and if this increase is accompanied by structural changes.

Structural change is a complete restructuring, reorganization and transformation of society. For instance, a change from an agro-based economy to an industry based economy. Also if a mono-cultural is reorganized to check its mono-cultural economy nature by way of diversification, transformation is said to have taken place.

Equally, structural change involves institutional change; this happens when there are changes in the institutional structure of the society, for example, the eradication of corruption. Structural change also involves the following:

1. Reduction of unemployment level
2. Eradication of poverty
3. Reduction of income inequality
4. Increased access to decent housing, health services and qualitative emancipator education.

This approach emphasizes that development is social, economic and political. Following this, Gerald Mier defines development as:

a process in which the real per capita income increase over a long period of time subject to the stipulation that the number of people living below the poverty line do not increase and also that the distribution of income

does not become unequal?

Also writing in this direction, Dudley passed the basic about the meaning of development when he said:

The questions to ask about development are ...what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have become less severe, then beyond doubt this is a period of development for the country concerned....

Commenting further, Dudley emphasize that,

“if one or two of those central problem has been growing worse, especially if all three have, it would be strange to call the result development even if per capita income had socials”.

Similarly, E.A Brett describes development as a change process characterized by increasing productivity and equalization in the distribution of the social product. Equally, R.O. Obinozie explains to mean:

a change in individual and group values and norms and is essentially a dynamic process seeking total transformation to appeal all around, balance and upward change.

The growth with Redistribution Approach was followed by the Basic Needs Approach to development. This method looks at need as the basic unit of development. To this end the provision of health services, education, housing, sanitation, water supply, and adequate nutrition has come to be known in development circles as the basic Needs Approach to development.

The rationale of the approach is that the direct provision of such goods and services is likely to relieve absolute poverty more immediate than alternative strategies which simply attempt to accelerate growth or which rely on raiding the incomes and productivity of the poor. Arguments used to support this change in strategy are as follows:

1. The productivity and incomes of the poor depend in the first place on the direct provision of health and educational facilities etc.
2. It may take a long time to increase the incomes of the poor so that they can afford basic needs.
3. The poor tend not to spend their incomes wisely, and certain facilities such as water supply and sanitation can only be provided publicly.
4. It is difficult to help all the poor in a uniform way in the absence of the provision of basic needs.

With this approach therefore, development is said to have occurred when there has been an improvement in basic needs, when economic progress has contributed to a greater sense of self — esteem for the country and individuals within it, and when material advancement has expanded the range of choice for individuals.

Marxism-Leninism changed the tune from that of harmonious to discordant interests. This is a significant development in development literature because it broke away from previous literature by identifying conflicts of interest as not only real but also crucially responsible for movement towards a communist society, which for Marx represents the highest stage of social development. Marx saw the struggle between social classes as the main driving force of social change. Individuals through their labour power produce value. But beyond use value, surplus value is appropriated either through land or capital. In reality class conflict persists until the communist society is attained.

Marx agrees with some aspects of classical development theory. The need for production and work is one such meeting point. Human beings need to work to survive and this self- interest drives them to put their energy into production. Originally individuals laboured with raw instincts for survival just like other animals. However, social classes emerged with the emergence of society. There was necessary conflict between the classes, which became the driving force underlying social development.

From the above, development can be explained to mean a multidimensional process which must bring about the entire transformation of all facets of the society—polity, cultural, economy, education, etc. Second, such a transformation must be brought to bear on the people by way of uplifting their material well-being.

In all, development manifest as follows:

Improve quality of life, cultural regeneration, social homogenization and cohesion, political awareness and the stabilization and consolidation, of participatory political institutions.

As mentioned elsewhere, the development of productive forces constitutes the bedrock of developments. Accordingly, a society does not develop beyond the level of its productive forces. To this end, the underdeveloped state of Nigeria is a reflection of the level of the development of its productive forces.

1. Among others, the following factors promote the development of societies:
The establishment of scientific consciousness

2. Technological development
3. The establishment of social consciousness.

The Concept of Political Economy

Antoine DeMontchretein first used the term political economy in his work titled “The Laws of Political Economy”. How the term was exactly derived is however a subject of debate. Edet Akpakpan has noted in this regard that:

It is not known exactly how the term was derived. Some of those who have bothered to speculate on it believe that it was coined from the same Greek words from which the shorter term ‘economics’ was derived, which translated literally means the art of household management... The term was invented to describe the principles and problems of managing the wider society “the principles of social housekeeping” because such management, unlike the management of an individual household, involves political questions. Some others think that the term was used to describe economics discipline when it emerged as an independent subject because in its earlier days; that is before it emerged as an independent subject it was discussed as part of politics and /or ethics a whole. Examples were problems relating to the growth and development of an economic system, the factors that affected such growth the relationships that emerged in the press of such growth and the distribution of the benefits of the process of growth and development among the different social groups in the system.

The term political economy is thus seen in terms of politico-economic interaction. Several definitions have been given to it, and some of these will be reviewed here to situate our discussion in clearer perspective .W.J. Okowa sees it as the combined view of politics and economics as it relates to the growth and development of society. Similarly, P.I. Nikitin defines political economy as:

“The science of the development of socio-production, that is the economic relation between people and the science which clarifies the laws governing production, distribution, exchange and consumption of the material wealth in human society at various stages of its development”

In another dimension, D. Iwarimieaja sees political economy as a historical method, a holistic orientation for the analysis of social formation and their contradictory relationships. It is discernible here that political economy can be seen from two standpoints. Firstly, as a scientific mode of analysis, and secondly as the context within which socio-economic activities take place.

Abubakar Momo and Taiwo Hundey highlight this further when they noted that:

Political economy is a concept and a field of study. As a concept its usage and application cuts across virtually all the disciplines in the social sciences. It is technical and yet quite useful tool of scientific analysis. It provides for a holistic study of issues, phenomenon and people, some are rich while others are poor, the problem and the urge for primitive capital accumulation, the domineering role of capital in society, the control of (World Bank and IMF), the hegemonisation of the euro-dollar, the social responsibility of the state and underlying forces and motive behind government’s production, distribution and exchange in a particular social formation, etc, can only be meaningfully and scientifically studied within the political economy paradigm.

Political economy is classified into liberal and bourgeoisie political economy. Whereas bourgeois political economy explains the contexts of economic growth and development, Marxian political economy explains the contradictory relations in capitalism. M.I. Volkov has noted that liberal political,

economy failed to realize the economic categories expressed the relations of social production and that under capitalism; these relations are fetish and represent the social properties of things.

Liberal or classical political economy found the labour theory of value, but failed to study the character of labour creating these commodities, as it also failed to investigate why a product of labour assumes a form of commodity, and confines themselves to analysis of the magnitude of value.

In contrast, Marxian political economy studies the general laws that govern the development of nature, society and human thought. Its revolutionary component is the study of production relations. It examines economic issues from a ruler subject relation, and takes side with the poor. It thrusts to the fore front of analysis, pervasive relations of domination and servitude, relations of power and authority that lead to conflict, disharmony and disruptive change; in contrast to liberal political economy that sees society as free, self-interested economic men interacting as equals in the market place.

As a frame of reference for the analysis of political phenomena, the political economy approach derives from the writing of Karl Marx... The central premise of this perspective is that the mode of production in material life determines the general character of the social, political and spiritual processes of life. The framework... requires the analyst to take cognizance of the mode of production which refers not only to the state of technique. But to the way in which the means of production were owned and the social relations between men which resulted from their connections, with the process of production. Marxian political economy provides a framework for an integrated study of political reality by reference to relevant economic, social, legal and moral factors.

Essentially the Marxian political economy method has the following features:

1. It recognizes the importance of non-economic factors in its study of any economic problem and it actually takes the influence of such factors into account.
2. It attaches much importance to the history of the problem as a background to the study.
3. It employs both quantitative and qualitative approaches in its investigations.
4. It gives primacy to material conditions in its analysis of phenomenon and social problems.
5. It emphasizes the dynamic character of reality.

As a method of analysis or study political economy offers the following advantages:

1. Give an insight into the dynamics of the social world
2. Provide a development perspective
3. Enhances a comprehensive view of society
4. Treats issues concretely.

Political economy sees the state as instrument of class domination that benefits members of the dominant ruling class. It argues that policies of the state are therefore designed to promote the interests of those who wield state power. Accordingly, politics is directed towards the promotion of individual and parochial interests, as against the promotion of public good. The resultant effect is that policies tend to promote underdevelopment.

Also of note is the view of Marxian political economy, which posits that imperialism is a logical outcome of capitalist development, and that imperialism is the bane of Third World development. It contends that foreign capital (loans and investments by foreigners and multinational corporations) is an instrument that consummates dependence.

Statement of Research Problem

The Onne Oil and Gas Free Zone is designed to enable interested persons and corporate bodies to establish businesses and industries with the principal objective of exporting goods and services manufactured or produced within the zone. Significantly, the literature on development has consistently argued that foreign capital, which the zone is anchored on, cannot promote Nigeria's development the way it is perceived. Foreign capital is seen as an instrument that consummates dependence. There are three sources-through which it comes into an economy-through borrowing (Foreign loans) multinational corporations (Foreign directive/private investment and foreign portfolio investment). Scholars argue that through the repatriation of profits, foreign investors transfer funds out of the economies of the less develop or even developing countries. This promotes de-capitalization and underdevelopment.

The case of the MNC's is more destructive as they suffocate the local economies through a number of practices such as over invoicing and under invoicing tax, tax evasion etc. In addition they interfere with local politics and subvert economic policies. For this reason, they are seen as agents of underdevelopment. Indeed, the widespread view of Nigerian social scientists supports this view.

In spite of this however, the development priorities of the country continue to anchor the future development of the country on foreign capital and investment as evident by former President Olusegun Obasanjo's economic policies. The Onne oil and gas free zone is one of such policies. The success of such policies depends on the autonomy of the state, and a leadership that is honest and patriotic, factors that are not present yet.

Despite this, a school of thought, popularize by the classical economist and widely held by ruling class, posit that the free zone is a vehicle for development. This research therefore seeks to establish or eject from empirical evidence whether Onne oil and gas free zone can serve as vehicle for development in Nigeria. The outcome of this research shall determine the suggestion on possible

way out of the menace.

Objectives of the Study

The major aim of this study is to evaluate, with a political economy perspective, the implications for Nigeria's development from the Onne Oil and Gas Free Zone activities. The specific objectives are:

1. To evaluate the usefulness of the Onne oil and gas free zone development strategy.
2. To determine whether the oil and gas zone is an instrument of imperialism.
3. To identify the specific areas the zone can contribute to the country's development.
4. To identify the problems of the zone.
5. To explore and explain the dialectical nature of relationship between the Multinational Companies (MNCs) and the Nigerian state (represented by the ruling class and comprador bourgeoisie) in carrying out activities at the Onne oil and gas free zone.

Research Questions

The following questions guided this study:

1. Can foreign capital and investment promote Nigeria's development?
2. Is the Onne oil and gas free zone a vehicle for Nigeria's development or a tool for imperialism?
3. To what extent can the foreign economy exploit the benefits of an economic free zone such as the Onne oil and gas free zone?
4. Can the dependent character of the Nigeria state direct the Onne oil and gas free zone to the benefit of the national economy?
5. Has Nigeria got a disciplined entrepreneurial class that can exploit the advantages of the Onne oil and gas free zone for national development?

Hypotheses

The following hypotheses were tested at 0.05 alpha levels to guide the study.

Hypothesis 1-Null Hypothesis:

Ho: There is no significant relationship between the activities of the Onne Oil and Gas Free Zone and the sustainable development of Nigeria.

Hi: There is no significant indication that the political economy of the Onne oil and gas free zone has affected the economic well-being of the Nigerian citizens.

Hypothesis 2-Null Hypothesis:

Ho: There is no sign that the character of the state largely determines its ideology of development.

Hi: There is an evidence that the character of the state determines its ideology of development.

Methodology

This study covers the Onne Oil and Gas Free Zone which is located in Onne community in Eleme Local Government Area of Rivers State in Nigeria. Onne oil and gas free zone dates back to 1990 when efforts towards economic development in Nigeria led to the establishment of the Export Processing Free Zone Scheme in November, 1991. The legislation governing the zone is contained in Decree No.8 of 1996. Primary and Secondary data were extensively used by the study. Secondary data was sourced from books, newspapers, the internet, journals, magazines, research studies and official publications relating to the scheme. Primary data was sourced from the managers and personnel of the free zone, as well as clients and investors (both local and foreign). Sampling technique employed both probability and non-probability sampling techniques. In this regard, we used the stratified simple random, incidental and purposive methods. The stratified method was used to stratify the population into:

1. Management staff
2. Other category of staff

3. Managers of foreign companies
4. Managers of indigenous companies

The purposive method was used to select interviewees. A total of 200 questionnaires were administered with a combination of incidental and simple random techniques. 15 persons were interviewed. All these were done to get reliable, objective and adequate information. The instruments used for the collection of data for analysis were questionnaire and interviews. The questionnaire was both open and closed ended. It was designed for all units in the population and set out to collect information on the philosophy, operations, problems and prospects of the free zone. The interviews targeted specific individuals-managers of the zone and companies. This was done to collect detailed and specialized information.

The data analysis adopted simple percentage. Accordingly, the fieldwork data was expressed as percentage and presented in tabular form. This was interpreted and used to evaluate the research hypothesis. To strengthen the analysis, we introduced the official publication on the performance indicators of the free zone in relation to economic development.

Findings and Discussion of Study

Table 1: On whether multinational corporations hinders Nigeria's development.

Answer Alternatives	Number of Respondents	% of Total
Yes	83	58.9
No	14	9.9
Don't know	44	31.2
Total	141	100

Source: Field study, 2021.

Out of the 141 respondents 83 or 58.9% are of the view that multinational corporations impede the country's development. 14 or 9.9% disagree, while 44 have no idea. Significantly interviewee response followed a similar trend whereas Nigerians insisted that MNC'S weaken Nigerian development, Non-Nigerians (Foreign nationals) held the contending view. Following this, 80 or 56.7% of the respondents noted that the multinational corporations couldn't promote Nigerian development. However, 23 or 16.3% insisted they can, provided the country has disciplined, honest, patriotic, and transparent leadership.

Related to the above, respondents disagreed sharply on the role of foreign investments in Nigeria's development. See table below:

Table 2: On whether foreign investments promote underdevelopment in Nigeria.

Answer Alternatives	Number of Respondents	% of Total
Yes	79	56.0
No	33	23.4
Don't know	29	20.6
Total	141	100

Source: Field study, 2021.

Out of the 141 respondents, 79 or 56% are of the opinion that foreign investments promote

underdevelopment in Nigeria. 33 or 23.4% disagree while 29 or 20.6% have no idea. The overwhelming view corroborate that of Steve Onyeiwu in a study, he declared that:

A barrage of studies exists to show that instead of extricating the economies of the LDC 's from the shackles of underdevelopment and dependency, foreign investment has indeed exacerbated these problems... In Nigeria incorporation of the economy into the global capitalist system in the last quarter of the J9hI century heralded in flow of foreign investment.. .yet underdevelopment has continued to be pervasive in the economy.

This would mean that investments in the Free Zone Area will not promote the country's development. Interviewees however noted the creation of employment and development skills as benefits that can propel economic growth. The development of a country's economy is significantly promoted by manufacturing.

Despite their skepticism respondents share the view that the Onne Oil and Gas Free Zone can promote development in Nigeria.

See table below:

Table 3: On whether Onne Oil and Gas Free zone can promote Nigeria's development.

Answer Alternatives	Number of Respondents	% of Total
Yes	107	75.9
No	29	20.6
Don't know	5	3.5
Total	141	100

Source: Field study, 2021

It can be seen here that 107 or 75.9% of the respondents argue that the Free Zone can promote Nigeria's development 29 or 20.6% disagree, while 5 or 3.5% have no idea. Following this, 107 or 75.9% of the respondents contend that the free zone cannot worsen underdevelopment in Nigeria. Interviewees agree. One noted that:

The Onne Oil and Gas Free Zone can promote the country's development. This depends on the ability of our leaders to organize the scheme to enhance the country's interest. It must not be politicized, and corrupted. Otherwise, we will get nothing from it.

Sunday Wama agrees with the respondents and points out the achievements of the zone as:

Economic Growth:

One of the cardinal objectives of establishing the free zone in addition to attraction of foreign direct investment is to stimulate economic growth within the host country. The growing number of investor within the zone today is a pointer to the success and achievement of the free zone.

Almost all major players in the oil industry have been attracted to the zone. About 112 investors have been attracted to the zone from five (5) investors that commenced operation at its inception in 1997. The attendant effect on the economy is tremendous inflow of FOREX as a result of Foreign Direct Investment. Experience shows that Free Trade Zones can be successful in earning foreign exchange, increasing employment and developing export competitiveness. For example, Mauritius saw FTZ

gross exports earnings grow from 3 percent of total export earnings in 1971 to 52.6 percent in 1986 and 68.7 percent in 1994. Indonesia, the Republic of Korea and Taiwan managed a high ratio of net to gross exports from 49 to 63 percent in the mid-1980s. Madani D. noted that:

For many countries, especially low-income countries foreign exchange earnings are a prime target as they serve to finance import and development of the local economy.

Thus, to meet the needs of domestic and foreign firm within the Oil and Gas sector, and being the largest and fastest growing Oil and Gas transit supply base in the world today, the Oil and Gas Free Zone is structured with phased development schedule with unprecedented growth in the next few years. This growth therefore will herald the free zone capacity to cater for the needs of both local and international firms operating in the zone.

Furthermore, businesses that operate from free trade zone can create linkages between themselves and the rest of the economy. Backward linkages are supposed to boost economic growth in the host country by fostering investment in non-traditional goods and efficiency gains in the production processes of the traditional ones. As a result, local firms become more internationally competitive. Linkages can take two forms; Free trade zone firms sourcing domestic raw material inputs or subcontracting supplies with domestic firms. Failure to establish linkages is often the result of non-availability of materials and supplies, quality or pricing issues and problems with the speed of delivery.

Revenue Generation

One of the, objectives of the Free Zone is to serve the regional market of the Sub-Saharan West Africa. Accordingly, the free zone is used as a distribution Hub within the region. Therefore goods which ordinarily have no business in Nigeria pass through our Ports on transit to their final destination and accordingly attract the relevant Nigeria Port Authority (NPA) dues thereby increasing the Revenue Base of the Nation. Potential tax losses as a result of offered tax incentives are outweighed by gains accruable in terms of employment creation; that is the removal of people from a countries liability column on the balance sheet to the asset column through personal taxation and provision of foreign exchange earnings. An examination of the revenue generated by the Nigerian Customs operation in the area also shows high increase in revenue generation.

It is crucial to note two significant issues firstly; historical experience shows that the hopes initially raised in developing countries by the free zone have proved excessive. In fact, Export Processing Zones have only made a significant contribution to development in a very small number of countries, in Asia (Indonesia, Malaysia, etc.), Latin America (Mexico) and Mauritius. To date, projects for free zones have almost systematically failed in sub-Saharan Africa. The only exception is Madagascar. Thanks to the success of Export Processing Zones since the 1990s. Madagascar foreign trade figures have been exceptionally dynamic due to growth in exports of manufacturing goods. However, in general, although they may be considered a success in terms of investment and job creation, Export Processing Zones are rarely capable of being more than “screw driver operations”.

Secondly, continuing globalization of international markets will have significant impact on free zone in the coming years Export Processing Zones will be particularly affected by two WTO agreements: the Agreement on Subsidies and Countervailing Measures (ASCM), which prohibit tax derogations (particularly for EPZS) as of 2003 in countries with GDP per capital exceeding \$1,000 (this deadline has been extended for some developing countries following the Doha Conference); and the ending in

2005 of the quotas imposed by industrialized countries to textile exports from the developing countries (Multi-fiber Agreement), which will lead to a redistribution of world production in this sector and have a significant effect on Export Processing Zones.

Furthermore, the ability of the Onne Oil and Gas Free Zone to promote development in Nigeria is being hampered by a number of factors. In a related study of free trade zones in Mauritius and Senegal; Madani argues that developing countries are unable to record success in their free trade zones, giving the lack of enabling environment which the government has failed to provide. In his words:

Free Trade Zone may lead to upgrading of physical capital. Successful zones are these for which government have created an efficient and competitive industrial transport and logistics infrastructure. The successful and well-integrated zone can also be considered a laboratory for and a spur to policy reform.

Much of these factors are not present in the free zone and therefore contribute to the dominance of the zone by foreign investors, who are able to get around these factors through their superior technology and strong capital base. The numbers of foreign investors in the zone out-number the local investors.

Concluding Remarks

Based on the findings of the study, the following conclusions were reached:

1. That the Onne Oil and Gas Free Zone can promote Nigeria's development. This however, is predicated on transparency, the development of an indigenous technology and the creation of a class of disciplined entrepreneurs.
2. The Onne Oil and Gas free zone is originally established to promote the development of the Nigerian economy by encouraging local and indigenous participation however the zone is foreign dominated as local investors are generally constrained by structural and logistic factors.
3. As a corollary of the above, the study concludes that the government of Nigeria has failed to create the enabling environment through massive infrastructural development needed to encourage both local and foreign investors who dominate the zone and take undue advantage over their indigenous counterpart; that now play marginal roles as commission agent thus undermining the main objectives of the government for creating the zone.
4. The study contends that the realities of the zone given the foreign dominance of the zone reinforce the dependent nature of the Nigerian state. Therefore, the free zone deepens underdevelopment and dependence of the Nigerian economy on foreign capital.
5. We conclude that the free zone cannot promote development, enhance local capacity for development and engender self reliant development.

Based on the findings and conclusions, we make the following recommendations:

1. Indigenous technology should be developed to enable Nigeria to effectively control the free zone. Curriculum reforms, improvement in educational infrastructure, and the re-training of teachers can promote this goal.

2. Conscious efforts should be made to develop a class of disciplined entrepreneurs. This will further strengthen indigenous control of the free zone.
3. Government should ensure transparency and accountability in the management of Onne Oil and Gas Free Zone to enhance the achievement of its goals.
4. Government should tackle the structural and logistics constraints faced by indigenous entrepreneurs to ensure their effective participation in the free zone.
5. Government should embark on provision of social infrastructures such as roads, electricity, health, information and communication technology (ICT) facilities to create an enabling environment for investors.

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